

1     Q.     **Re: IFRS**

2           At pages 2-3 of the "2012 Capital Projects Overview" (Volume I, Second Tab), Hydro  
3           identifies that it has adopted certain policies and guidelines with respect to  
4           capitalizing Major Inspections and Overhauls. Are the precise terms of those  
5           policies and guidelines (identified as items 1), 2) and 3) at the top of page 3)  
6           mandated by IFRS or do they represent Hydro's interpretation of IFRS  
7           requirements? Has Hydro considered, or is Hydro aware of, other policies and  
8           guidelines for implementation of IFRS with respect to capitalizing Major Inspections  
9           and Overhauls?

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12     A.     The policies and guidelines are Hydro's interpretation of the IFRS principles. These  
13           guidelines were developed in order to apply the IFRS standards to Hydro's existing  
14           capitalization policies. Policies may differ by company due to factors such as  
15           materiality, nature of the business and asset management processes.

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17           The criteria for the capitalization of Major Inspections and Overhauls was  
18           developed using the following:

- 19           •       Review of the IFRS standard 16(14) property, plant and equipment attached  
20                    in Appendix A of the 2012 Capital Projects Overview;
- 21           •       Discussions and meetings with external financial consultants and industry  
22                    peers;
- 23           •       Ongoing discussion and input from internal operations and engineering staff  
24                    and management on IFRS standards; and
- 25           •       Research, review and application of IFRS standards associated with Hydro  
26                    operations and physical assets.

- 1 The policies and guidelines adopted were considered by Hydro to be the most
- 2 appropriate based on current information available for the Corporation in the
- 3 application of IFRS.